



## COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE  
Chief Engineer and General Manager

November 26, 2014

File: 31-150.13.10

Boards of Directors  
County Sanitation District No. 27 and  
Newhall Ranch Sanitation District

### Directors:

The consolidated agenda includes the following items for the regular meetings of the Boards of Directors of the Districts meeting Tuesday, December 9, 2014.

1. Certificate of Presiding Officer/Chairperson-Pro Tem. The new Mayor and Chair Pro Tem of the Board of Supervisors automatically become the Chairperson and Chairperson Pro Tem of the Boards of Directors of these Sanitation Districts.
2. Certificate of the Board of Supervisors. The Boards of Directors of these Sanitation Districts is comprised of the Board of Supervisors of Los Angeles County.
3. Minutes. Copies of the minutes have been provided to each of the Directors.
4. Departmental Invoices. A departmental invoice is an internal document that transfers each District's proportionate share of expenditures made by District No. 2, the administrative District, on behalf of the participating Districts in accordance with authority granted through joint agreements. During the month, charges are made to a clearing account which is administered by District No. 2 and then are distributed at month end according to those agreements.
5. Investment Policy. Historically, the California Government Code required all local agencies to annually adopt an investment policy. While no longer required by statute, the California Debt and Investment Advisory Commission in its Local Agency Investment Guidelines states "...it is in the best interest of the local agency to present and discuss the policy with the agency's legislative body or oversight committee, and then have the policy approved by a vote of the legislative body." This is consistent with the actions taken by all of the other Sanitation Districts' Boards and it is recommended that these Boards consider the attached proposed investment policy.

The recommended investment policy is predicated on three tenets as set forth in Section 53600.5 of the California Government Code:

- Safety of Principal
- Liquidity
- Return on Investment

Accordingly, the policy recommends that the Districts' Treasurer may invest in the County of Los Angeles Pooled Surplus Investment Fund (PSIF), the State of California Local Agency Investment Fund (LAIF), and in certain allowable specific investments. The specific investments, which shall



be placed through the Los Angeles County Treasurer, shall be the same as those identified in the Los Angeles County Treasurer and Tax Collector's Investment Policy. The Districts' Treasurer is further authorized to purchase medium corporate notes that are rated AA or higher by Standard and Poor's, Moody's, or Fitch rating services provided that, in aggregate, such investments shall not exceed 30% of all District's funds. . The proposed policy is consistent with the investment policy of Los Angeles County, except it is slightly more restrictive regarding corporate notes in which the County allows investments in corporate notes rated A.

The policy also appoints the Districts' Chief Engineer and General Manager as the Treasurer of the Districts and delegates to the Treasurer the authority to manage, deposit, and invest Districts' funds in accordance with the policy. The policy also requires that the Treasurer make quarterly reports to the Boards of Directors on the status of all investments. It further requires that the Boards of Directors annually review the investment policy.

Very truly yours,

A handwritten signature in blue ink that reads "Grace R. Hyde". The signature is written in a cursive style with a horizontal line across the middle of the letters.

Grace Robinson Hyde

GRH:rza  
Enclosures

Notice and Agenda

REGULAR MEETING — BOARD OF DIRECTORS — COUNTY SANITATION DISTRICT NO. 27/  
NEWHALL RANCH SANITATION DISTRICT

To be held in the HEARING ROOM  
OF THE BOARD OF SUPERVISORS  
Kenneth Hahn Hall of Administration, Los Angeles, California

TUESDAY	December 9, 2014	At 9:30 A.M.
KNABE	KUEHL	ANTONOVICH (Chairperson)
	RIDLEY-THOMAS	SOLIS

1. Recommendation: Receive and order filed certificate of the Presiding Officer of the Board of Supervisors and the action electing the Chairperson Pro Tem.
2. Recommendation: Receive and order filed certificate of the Board of Supervisors.
3. Recommendation: Approve minutes of the regular meetings held March 11, 2014 (5) and September 9, 2014 (3).
4. Recommendation: Approve departmental invoices as follows:

	<u>August 2014</u>	<u>September 2014</u>	<u>October 2014</u>
District No. 27 (3)	\$1,137.69	\$851.30	\$495.78
NRSD (5)	-0-	-0-	\$5,191.76

5. Recommendation: Approve the Investment Policy for County Sanitation District No. 27 (3) and Newhall Ranch Sanitation District (5).

Adjourn

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY  
**DEPARTMENTAL INVOICE**  
FOR THE MONTH ENDED 8/31/14

To: County Sanitation District No. 27  
(Org. Receiving Services)

Date Service Accrued: August 31, 2014

From: County Sanitation District No. 2  
(Org. Providing Services)

Date Prepared: September 17, 2014

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DESCRIPTION

District No. 27 share of expenditures made by District No. 2, the administrative District, in accordance with the authority granted through the approved annual budget and applicable Joint Powers Agreement:

DEBIT:

Operation & Maintenance	\$ 1,115.14
Joint Administration - Capital	22.55

Total of all charges	<u>\$ 1,137.69</u>
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Recap 8

Document No. 56

Date Board Approved: \_\_\_\_\_

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY  
**DEPARTMENTAL INVOICE**  
FOR THE MONTH ENDED 9/30/14

To: County Sanitation District No. 27  
(Org. Receiving Services)

Date Service Accrued: September 30, 2014

From: County Sanitation District No. 2  
(Org. Providing Services)

Date Prepared: October 17, 2014

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DESCRIPTION

District No. 27 share of expenditures made by District No. 2, the administrative District, in accordance with the authority granted through the approved annual budget and applicable Joint Powers Agreement:

DEBIT:

Operation & Maintenance	\$ 786.97
Joint Administration - Capital	64.33

Total of all charges	<u>\$ 851.30</u>
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Recap 12

Document No. 94

Date Board Approved: \_\_\_\_\_

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY  
**DEPARTMENTAL INVOICE**  
FOR THE MONTH ENDED 10/31/14

To: County Sanitation District No. 27  
(Org. Receiving Services)

Date Service Accrued: October 31, 2014

From: County Sanitation District No. 2  
(Org. Providing Services)

Date Prepared: November 19, 2014

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DESCRIPTION

District No. 27 share of expenditures made by District No. 2, the administrative District, in accordance with the authority granted through the approved annual budget and applicable Joint Powers Agreement:

DEBIT:

Operation & Maintenance	\$ 392.78
Joint Administration - Capital	103.00

Total of all charges	\$ <u>495.78</u>
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Recap 16

Document No. 132

Date Board Approved: \_\_\_\_\_

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY  
**DEPARTMENTAL INVOICE**  
FOR THE MONTH ENDED 10/31/14

To: Newhall Ranch Sanitation District  
(Org. Receiving Services)

Date Service Accrued: October 31, 2014

From: County Sanitation District No. 2  
(Org. Providing Services)

Date Prepared: November 19, 2014

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DESCRIPTION

District No. 34 share of expenditures made by District No. 2, the administrative District, in accordance with the authority granted through the approved annual budget and applicable Joint Powers Agreement:

DEBIT:

Operation & Maintenance	\$	3,325.87
Joint Administration - Capital		103.03
Local - Capital		1,762.86

Total of all charges	\$	<u>5,191.76</u>
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Recap 16

Document No. 138

Date Board Approved: \_\_\_\_\_

# **INVESTMENT POLICY \***

## **County Sanitation District No. 27 of Los Angeles County**

**December 2014**

\* Districts Nos. 17, 27 and Newhall Ranch Sanitation District have all adopted investment policies with the same provisions.



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## **Investment Policy**

### **County Sanitation District No. 27 of Los Angeles County**

#### **Policy Statement:**

This investment policy of County Sanitation District No. 27 of Los Angeles County (District) provides for the prudent investment of the District's funds and the effective management of investment activities. It is intended that this policy cover all investment activities under the direct control of the District.

#### **Prudent Investor Standard:**

This policy shall be implemented in accordance with the standard for governing bodies or persons authorized to make investment decisions on behalf of public bodies. This standard is set forth in Section 53600.3 of the Government Code, which, effective January 1, 1997, provides in part:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law".

#### **Authority:**

By prior action of the District's Board of Directors the Chief Engineer and General Manager is the Fiscal Officer of the District and by this action is formally appointed Treasurer of the District. The District's Board of Directors hereby delegates to the Treasurer the authority to manage, deposit and invest District funds in accordance with this policy and all provisions of law. The District Treasurer shall develop procedures to fully implement this policy in accordance with this delegation of authority, and shall report to this Board in accordance with the requirements of law and this investment policy.

### **Investment Objectives:**

This policy shall also be implemented in accordance with the legislative direction concerning objectives of a trustee. This standard is set forth in Section 53600.5 of the Government Code, which, effective January 1, 1997, provides in part:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.”

**Safety of Principal:** In safeguarding the principal of District funds the District Treasurer shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss.

**Liquidity:** In order to meet the District's liquidity needs, investments shall be made so that maturity dates are compatible with cash flow requirements and, when required, permit easy and rapid conversion into cash.

**Return on Investments:** Investments shall be undertaken to produce a market rate of return after first considering safety of principal and liquidity.

### **Investment Placement and Investments Allowed:**

The District Treasurer may invest District funds in the County of Los Angeles Pooled Surplus Investment Fund (PSIF), the State of California Local Agency Investment Fund (LAIF), and in specific investments in accordance with this policy and applicable law. Investments in the PSIF typically consist of those funds required to cover the District's short term operating needs. All other funds will be placed in LAIF or in specific investments purchased through the Los Angeles County Treasurer. Allowable specific investments shall be the same as those identified in the Los Angeles County Treasurer and Tax Collector's Investment Policy. The District Treasurer is further authorized to purchase medium term corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States. Each medium term security shall be rated AA or higher by Standard & Poor's, Moody's, or Fitch rating services and all medium term investments in aggregate may not exceed 30% of District funds. The percentage limitations referred to above shall be determined at the time the investment is made. For purposes of calculating such percentages, District funds shall be deemed to include all cash and investments of the District as reflected in the District's most recent books of account.

The District Treasurer shall continuously evaluate the District's cash flow requirements and when it is determined that funds are available for longer term investments, the District Treasurer shall, after conferring with the Los Angeles County Treasurer, purchase specific investments through the Los Angeles County Treasurer consistent with the financial needs of the District.

**Investment Safekeeping:**

With respect to specific investments, to ensure a high degree of internal safety all certificates or other evidence of securities or other investments purchased for the District shall be held for safekeeping by the Los Angeles County Treasurer, in a manner that reflects the District's ownership.

**Maximum Maturities:**

The District Treasurer shall match investments with anticipated cash flow requirements. The District Treasurer will not invest in securities maturing more than five (5) years from the date of purchase unless approved by the District's Board of Directors, either specifically or as a part of an investment program, at least three (3) months prior to purchase.

**Reporting Requirements:**

In accordance with Government Code Section 53646, the District Treasurer shall prepare and submit a quarterly report to the Board of Directors. The quarterly report shall comply with applicable law and shall in any event include the security type, issuer, investment yield, date of maturity, par value, amount invested, current market value and source of this valuation. Any investments in state or local county pools will be included with a summary of its most recent investment statement.

**Internal Control:**

In addition to the certified public accountant's yearly independent audit of the District, quarterly-audits of the investment portfolio shall be conducted by the District's Internal Auditor to ensure compliance with the investment policy and procedures provided for hereby.

**Investment Policy Adoption:**

This policy shall be reviewed on an annual basis and any modifications made thereto shall be approved by the District's Board of Directors. Prior to such review, the matter will be referred to the Personnel Committee (comprised of the Chairperson of each Board) for its consideration.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_ .

# **INVESTMENT POLICY \***

## **Newhall Ranch Sanitation District of Los Angeles County**

**December 2014**

\* Districts Nos. 17, 27 and Newhall Ranch Sanitation District have all adopted investment policies with the same provisions.



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## **Investment Policy**

### **Newhall Ranch Sanitation District of Los Angeles County**

#### **Policy Statement:**

This investment policy of Newhall Ranch Sanitation District of Los Angeles County (District) provides for the prudent investment of the District's funds and the effective management of investment activities. It is intended that this policy cover all investment activities under the direct control of the District.

#### **Prudent Investor Standard:**

This policy shall be implemented in accordance with the standard for governing bodies or persons authorized to make investment decisions on behalf of public bodies. This standard is set forth in Section 53600.3 of the Government Code, which, effective January 1, 1997, provides in part:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law”.

#### **Authority:**

By prior action of the District's Board of Directors the Chief Engineer and General Manager is the Fiscal Officer of the District and by this action is formally appointed Treasurer of the District. The District's Board of Directors hereby delegates to the Treasurer the authority to manage, deposit and invest District funds in accordance with this policy and all provisions of law. The District Treasurer shall develop procedures to fully implement this policy in accordance with this delegation of authority, and shall report to this Board in accordance with the requirements of law and this investment policy.

### **Investment Objectives:**

This policy shall also be implemented in accordance with the legislative direction concerning objectives of a trustee. This standard is set forth in Section 53600.5 of the Government Code, which, effective January 1, 1997, provides in part:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.”

**Safety of Principal:** In safeguarding the principal of District funds the District Treasurer shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss.

**Liquidity:** In order to meet the District's liquidity needs, investments shall be made so that maturity dates are compatible with cash flow requirements and, when required, permit easy and rapid conversion into cash.

**Return on Investments:** Investments shall be undertaken to produce a market rate of return after first considering safety of principal and liquidity.

### **Investment Placement and Investments Allowed:**

The District Treasurer may invest District funds in the County of Los Angeles Pooled Surplus Investment Fund (PSIF), the State of California Local Agency Investment Fund (LAIF), and in specific investments in accordance with this policy and applicable law. Investments in the PSIF typically consist of those funds required to cover the District's short term operating needs. All other funds will be placed in LAIF or in specific investments purchased through the Los Angeles County Treasurer. Allowable specific investments shall be the same as those identified in the Los Angeles County Treasurer and Tax Collector's Investment Policy. The District Treasurer is further authorized to purchase medium term corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States. Each medium term security shall be rated AA or higher by Standard & Poor's, Moody's, or Fitch rating services and all medium term investments in aggregate may not exceed 30% of District funds. The percentage limitations referred to above shall be determined at the time the investment is made. For purposes of calculating such percentages, District funds shall be deemed to include all cash and investments of the District as reflected in the District's most recent books of account.

The District Treasurer shall continuously evaluate the District's cash flow requirements and when it is determined that funds are available for longer term investments, the District Treasurer shall, after conferring with the Los Angeles County Treasurer, purchase specific investments through the Los Angeles County Treasurer consistent with the financial needs of the District.

**Investment Safekeeping:**

With respect to specific investments, to ensure a high degree of internal safety all certificates or other evidence of securities or other investments purchased for the District shall be held for safekeeping by the Los Angeles County Treasurer, in a manner that reflects the District's ownership.

**Maximum Maturities:**

The District Treasurer shall match investments with anticipated cash flow requirements. The District Treasurer will not invest in securities maturing more than five (5) years from the date of purchase unless approved by the District's Board of Directors, either specifically or as a part of an investment program, at least three (3) months prior to purchase.

**Reporting Requirements:**

In accordance with Government Code Section 53646, the District Treasurer shall prepare and submit a quarterly report to the Board of Directors. The quarterly report shall comply with applicable law and shall in any event include the security type, issuer, investment yield, date of maturity, par value, amount invested, current market value and source of this valuation. Any investments in state or local county pools will be included with a summary of its most recent investment statement.

**Internal Control:**

In addition to the certified public accountant's yearly independent audit of the District, quarterly-audits of the investment portfolio shall be conducted by the District's Internal Auditor to ensure compliance with the investment policy and procedures provided for hereby.

**Investment Policy Adoption:**

This policy shall be reviewed on an annual basis and any modifications made thereto shall be approved by the District's Board of Directors. Prior to such review, the matter will be referred to the Personnel Committee (comprised of the Chairperson of each Board) for its consideration.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_ .